



County of San Diego

DEPARTMENT OF PUBLIC WORKS

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DIRECTOR

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January 12, 2004

Mr. Ellsworth L. Chan, P.E.
Manager, Safety and Standards Branch
Federal Aviation Administration, Western-Pacific Region
15000 Aviation Blvd., Rm. 3024
Lawndale, CA 90261

Dear Mr. Chan:

RESPONSE TO GILLESPIE FIELD COMPLIANCE ADVISORY

This letter provides response to your compliance advisory letter dated November 14, 2003 regarding sponsor obligations and management practices.

Issues of Concern to FAA

A. Cajon Plaza Parcel

The County contracted with DMJM Aviation to complete an Airport Layout Plan/Narrative Report. This new ALP identifies the entire 70 acres of the "Cajon Plaza" parcel to be developed as aeronautical use in order to meet the aviation forecast demands of the San Diego Region. Noise contours and conclusions section of the Narrative Report are being finalized. The Planning Advisory Committee (PAC) will review the final draft within the first quarter of 2004. As you are aware, Margie Drilling of your staff is a member of the PAC. The final ALP Narrative Report is targeted to go to the County Board of Supervisors for approval in the second quarter of 2004.

It is our intention to apply for an AIP grant for the development of the 70-acre Cajon Plaza parcel as follows: Phase I: environmental assessment, and reporting as necessary, closure of Airport Drive (limited fencing installation), demolition of speedway/debris removal, and design of taxiway/infrastructure improvements. Phase II: design completion, complete construction of security

fencing, under grounding utilities, infrastructure, drainage/storm water improvements, and asphalt paving for taxiways and aircraft transient parking.

B. Residential Use of Hangars

While we have never approved residential hangars (except caretaker/security, which is addressed below), we understand the FAA's desire to ensure that pilots' quarters do not potentially turn into permanent residential use hangars. We request your assistance in formulating lease language that will comply with what is acceptable to the FAA.

In response to recommendations included in Tony Garcia's letter of August 29, 2003 (Attachment 1), staff has already started working with advisory groups to update our Aviation Area Development Standards. Additionally, we are currently updating Airports Rules and Regulations. All of these documents will preclude permanent residential use in future leases and will include removing permission for a caretaker or security residence.

Regarding existing hangars with pilots' quarters/residential use, we understand FAA's desire to prevent such development, however, we are obligated and will honor all present agreements. In the case of La Jolla Investments, the master lessee has submitted a proposal to build three additional similar hangars. We request written direction on whether or not to allow development of hangars with crew quarters. We are concerned that failure to have such direction from FAA may result in litigation against the County without FAA backing. Please note we understand that other lessees may be submitting similar proposals in the near future and we need your written direction so we may respond consistently to all requests for this type of development option.

C. Non-Aeronautical Activities

It is our intention to be in compliance with Grant Assurance #22 and seek FAA concurrence before permitting any non-aeronautical use. We are in the lengthy process of updating our Rules, Regulations, and Minimum Standards. These Rules and Regulations will enable us to better enforce the Minimum Standards and prevent non-aeronautical use of aviation facilities. Our intent is to make a good faith effort to negotiate phasing out current use of hangars with 'crew quarter' facilities. Completion of our Rules, Regulations, and Minimum Standards is targeted for July 2004.

D. Fee and Rental Structure

The methods for setting rents at Gillespie Field were discussed at a workshop on August 22, 2002, attended by FAA staff, including an FAA Senior Compliance Officer and the Washington representative. At that time the FAA voiced no

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objection to our rental rate practices. In fact, according to our meeting notes from this August 2002 workshop, the Washington representative advised us that the FAA was comfortable that County Airports was operating consistent with fee rental Grant Assurance #24.

Current aviation rates at Gillespie Field were set by the Board of Supervisors in December 1997 as a result of negotiations with the Gillespie Airport Lessees Association and will remain in effect until 2010. These negotiations considered independent appraisal, lessee's agreement to advantageous lease terms for the County, the opportunity to set all aviation rates at a level rate, and the ability to set rents at Fair Market Value (FMV) using independent appraisals in the future.

As requested, we will inform lessees that non-aeronautical activity on aviation leases must be approved by the County and determined acceptable by the FAA by including this language in future aviation leases and lease amendments. This will not include leases that are currently in negotiation/development (e.g. La Jolla Investments, Aircraft Hangar Management, LLC, etc.). These documents will also state that lessees will be charged a fair market rate for non-aeronautical activities and that the rate may differ considerably from the rate applied to aeronautical activities, as mandated by grant assurances.

Industrial rates at Gillespie Field have been set based on independent appraisals and cost of living adjustments that are based on CPI indexes. Effective January 1, 2004, the rental rate for the Gillespie Field Industrial Park will be adjusted to \$3,293 per acre per month, an increase of approximately 30%, which is the FMV for this property.

E. Airport Revenue

Regarding the Marshall Avenue extension, we understand repayment has been a priority since your September 26, 2001 letter (Attachment 3) determined that the expenditure for this project was a permitted use of airport revenue and concluded the matter was closed. All funds loaned from the Airport Enterprise Fund (AEF) to the Redevelopment Agency, including funding for the Marshall Avenue extension, require repayment with interest (Attachment 4). We have reviewed Grant Assurance #25 and cannot see where it requires a repayment timeline to be established at the time an AEF loan is made. However, we hired a fiscal consultant on November 24, 2003, to provide Redevelopment Agency tax increment revenue projections that will be used to establish a repayment timeline. We will provide you a copy of the timeline in Spring 2004. Please note that a loan repayment of \$225,000 was made from the Redevelopment Agency to the Airport Enterprise Fund this fiscal year.

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Attachment 2 provides additional background information regarding previous correspondence and Board actions related to these matters.

F. Airport Layout Plan

As previously indicated, the Airport Layout Plan/Narrative Report is currently being completed. Marshall Avenue will be correctly depicted on the technical drawings. The PAC will review the final draft within the first quarter of 2004. As previously stated, Margie Drilling of your staff is a member of the PAC. The final ALP Narrative Report is targeted to go to the County Board of Supervisors for approval in the second quarter of 2004.

As stated in our letter of April 30, 2001, (Attachment 5) regarding Marshall Avenue, the final determination of this road location and design was determined by City of El Cajon traffic engineers, whose safety criteria included speeds and sight distances for entrances to existing aviation businesses. Additionally, as stated in our letter of Sept. 18, 2000 (Attachment 6), the County took advantage of the opportunity to include other needed improvements to serve airport tenants, such as a box culvert for drainage and utilities. It is important to point out that the City of El Cajon would not allow development of this area until the road was extended per their fire code requirement and General Plan. The road extension has resulted in approximately 11.8 acres of additional aviation property being made available for development. Regarding subsidizing the loan with airport revenue, your letter dated September 26, 2001(Attachment 3), considered this matter closed.

It is our opinion that these improvements benefited the airport and did not inappropriately serve other interests as indicated in your letter.

In the future, we will ensure that your prior approval is obtained before beginning any project of this nature.

G. Leasing Policy and Practices

County Airports has reviewed your six lease revision suggestions. We will be updating future airport leases and submit a draft of the new standard lease form for your review and comment in the spring of 2004.

Title 49 United States Code (USC) 47131

We have made every effort to address all issues raised in your letter of November 14, 2003. We will take appropriate actions to bring all sponsor activities into compliance.

Conclusion and Follow-up

1. Dedicate El Cajon Plaza to aeronautical development.
See A. above.
2. Prohibit construction or development of additional airport hangars with residential living quarters.
See B. above.
3. Prohibit unauthorized non-aeronautical use of federally obligated airport property.
See C. above.
4. Amend airport leasing policies and practices as recommended in item G. above.
See G. above.
5. Adjust rents to FMV for non-aeronautical uses of obligated airport property by lease amendment.
See item D. above.
6. Submit and obtain FAA approval of an updated SEE ALP.
See A. above.
7. Complete Runway Safety Action Plan (RASP) items as soon as possible, as well as take appropriate action to prevent further runway incursions and vehicle/pedestrian deviations from occurring.

Two of nine items remain to be completed by County staff. Item 01-004 of the RSAP plan (Attachment 7) is expected to be completed within 90 days as part of the Runway 27L/09R rehabilitation contract. Signs for item 03-003 are on order and will be installed within 60 days.

8. Ensure airport management practices at the County's other airports comply with federal obligations and take action to bring them into compliance where departures from these obligations exist.

We are in the process of updating our Rules and Regulations, and Minimum Standards. Completion is targeted for July 2004. County Airports Rules and Regulations, Minimum Standards, Rates and Charges, and Policies and Procedures will be implemented throughout the County Airports System.

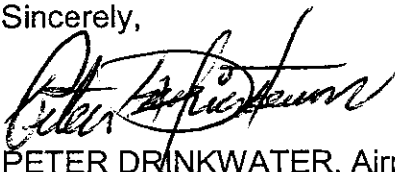
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Documents Requested

1. County Airports Minimum Standards
County Airports is in the lengthy process of updating our Rules and Regulations, and Minimum Standards. The Rules and Regulations will enable us to enforce the Minimum Standards and will allow us to increase rates and charges when appropriate. We expect this process to be complete in July 2004. We will keep you apprised of our progress and solicit your input.
2. Gillespie Field Financial Statement and Airport System Consolidated Financial Statement
All eight County airports are considered one system and financial statements are not prepared for individual airports. Copies of the latest AEF financial statements prepared by an outside independent auditing firm are provided in Attachment 8.
3. Financial documents and information regarding Marshall Avenue improvements
The AEF received the first loan payment of \$225,000 this fiscal year from the Redevelopment Agency. A repayment timeline for the remaining balance owed the AEF will be established once fiscal consultant tax increment projections are received in January 2004. A copy of the timeline will be provided to you.

If you have any questions regarding the above information please feel free to call me at (619) 956-4839.

Sincerely,



PETER DRINKWATER, Airports Director
Department of Public Works

cc: Mark McClardy; Tony Garcia; John Milligan
John Snyder, Larry Watt, County Airport Managers